



News Release

DEPARTMENT OF ECONOMIC SECURITY
David A. Berns, Director

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MEDIA CONTACT

Liz Barker
(602) 542-4296

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UNEMPLOYMENT INSURANCE FUND NEEDS REPLENISHING IN 2004

PHOENIX – (January 2, 2004) As required by federal and state law, many Arizona employers will see an increase in their contributions to the state's unemployment insurance fund to replenish the amount used to pay unemployment benefits during these tough times.

The average unemployment insurance tax rate paid by Arizona employers will increase from .8 percent in 2003 to 1.04 percent in 2004. Arizona's rate will still be lower than what employers pay in 46 other U.S. states or jurisdictions. The average national rate in 2003 was 2.1 percent; employers in New York and Pennsylvania face the highest rates at 4.2 percent.

Unemployment taxes paid by Arizona employers are deposited into a fund that is used solely to pay benefits to qualifying Arizona workers who lose their jobs through no fault of their own. By state law, the tax rate employers pay is self-adjusting and counter cyclical, meaning that after periods of high unemployment, the rates increase to replenish the fund (as they did from 1992 to 1995). Once the fund begins to approach the legally required balance, the rates begin decreasing again.

The 2004 tax rates for Arizona employers will range from .05 percent to 5.4 percent. On average, an Arizona employer will pay a minimum of \$72.80 annually for each employee. Arizona employers also enjoy the lowest tax base allowed by law, meaning that taxes are paid only on the first \$7,000 in wages earned per employee. Forty-six states and the District of Columbia have a higher tax base than Arizona; Hawaii had the highest tax base in 2003 at \$29,300.